

MAY 27 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(2) of the Internal Revenue Code.

The information submitted discloses that you were incorporated on [REDACTED], under the [REDACTED] Non-Profit Corporation Act. Your primary purposes are the operation and administration of the [REDACTED]. The activities involved in the operation will consist of general upkeep and maintenance. Duties of administration are to collect assessments, purchase insurance, and to enforce the regulations of the association.

Membership is open to all record owners of the units. There is one class of membership entitling each member to one vote.

Support is from assessments of owners. Expenditures are for maintenance of the units, insurance, utilities and office supplies. The titles of all properties and all funds acquired by the association will be held in trust for the condominium members.

Section 501(c) of the Code describes certain organizations exempt from Federal income tax under 501(a) and reads, in part, as follows:

"(2) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under this section."

Section 1.501(c)(2)-1 of the Regulations provides, in part, as follows:

"(a)...Since a corporation described in Section 501(c)(2) cannot be exempt under 501(a) if it engages in any business other than that of holding title to property and collecting income therefrom, it cannot have unrelated business taxable income as defined in section 512...."

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"(b) A corporation described in section 501(c)(2) cannot accumulate income and retain its exemption, but it must turn over the entire amount of such income, less expenses, to an organization which is itself exempt from tax under section 501(a)."

Revenue Ruling 58-566, 1958-2 Cumulative Bulletin 261, held that a corporation will not be considered a holding company within the meaning of Section 501(c)(2) of the Code where it has broad powers and business purposes far beyond the scope necessary for a holding company. Charter language alone was not determinative, but when combined with other facts and circumstances, it establishes that the corporation was not organized for the exclusive purpose set out in section 501(c)(2) of the Code.

Your purposes and powers as set forth in Articles II and IV of your Articles of Incorporation are broader than those necessary to just hold title to property. Your activities go beyond a 501(c)(2) organization. The assessments that you collect are not turned over to an organization that is exempt and has control over or ownership of your organization.

We hold that you do not qualify for exemption from Federal income tax under the provisions of section 501(c)(2) of the Code.


If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,


District Director

Enclosures
Publication 892
Form 6018